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FROM: Guatemala City

TO: Secretary of State

NO: 225, August 27, 9 p.m.

Rift which is opening between Junta President Castillo-Armas and some of his hitherto loyal adherents became apparent in a conversation Juan Cordova Cerna, leading figure in Castillo's liberation movement and Ambassador Peurifoy just before latter's departure yesterday for Miami. If Cordova's description of present situation is substantially correct--and other observers agree with general outline--Castillo-Armas is fast losing his hold over elements which brought him to power, and at moment prospects for stability of government are not bright.

Cordova Cerna told Ambassador that since his recent return from United States he had been working from 9 a.m. to 1 a.m. later every day conferring with anti-Communist leaders and army officers, and that he had found absolute lack of confidence in government in all quarters. Commercial activity was depressed and potential investors were withholding action. Confusion reigned within government and officials were receiving no political orientation at all.

In Cordova's view, government's military situation was far less secure than Castillo-Armas thought. He said another plot was being hatched among army officers and indicated he regarded Monzon as carefully-planted stooge for Arevalo and Arbenz. He said he considered it necessary to clean out army by sudden, drastic measures which could be completed within 24 hours; Junta should then be reorganized to replace Monzon and Oliva with two civilians who would in fact dominate Castillo; and provisional constitution would be placed in force within a week. Thus country could be assured of unified control, could lay aside politics and get down to work.

Cordova said further that he had talked with Castillo but latter had rejected his plan for drastic action against army, stating that changes should be effected gradually over month or two. Following this talk, Cordova said he had conferred privately with leaders of Liberation Army and advised against disbanding their forces as instructed by Castillo. He had offered to be personally responsible for raising necessary funds and had secured promises of support from commanders at Puerto Barrios, Zacapa, Chiquimula, Jalapa, Coban and from Colonel Neiderheitmann,

Commander

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commander of Guatemala City military base. Through Major Oliva, third member of Junta who he believes he can dominate, Cordova said he hoped also to gain collaboration of Oliva's brother who commands Honor Guard in capital. With this backing he plans to present Castillo with alternative: either reorganize Junta and accept guidance from Cordova's group or Junta including Castillo would be ousted by force. He asked Ambassador to help secure Castillo's consent by telling him United States technical and financial aid would not be forthcoming unless he acceded to reorganization of government. Asked how he would propose convince Monzon to resign peacefully, Cordova said he thought same argument would be effective with him.

Other possible courses of action were then discussed. Ambassador asked Cordova's views on project for holding constituent assembly which could elect Castillo president to fill out Arbenz's unexpired term and approve new constitution; to save time, 1945 constitution could be reenacted with suitable changes. Cordova replied idea had merit but that if Castillo were left alone as provisional president situation would be as bad or worse than at present. He again urged Ambassador to use his influence to bring Castillo to accept guidance from friends and carry out plan he had agreed to in Tegucigalpa.

At this point Ambassador had to leave for airport and it was agreed to hold further talks next week when Cordova would have explored with his friends prospects for holding constituent assembly.

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